

What's It All About

By

Charles H. Ingraham*

The objectives of this American Institute of Cooperation's educational program, The National Employee and Graduate Seminar, are:

- To supplement and complement the National Institute on Cooperative Education;
- To provide an opportunity to employees of cooperatives and college students to learn more about cooperative principles and concepts;
- To develop an understanding of the economic role of cooperatives in the United States;
- To supplement the participant's academic education and training in cooperatives;
- To afford the participant an opportunity to communicate with cooperative leaders and counterparts in other cooperatives.

Most of us have had our academic business training based on; investor-oriented corporations, partnerships and sole proprietorships. In this seminar you are provided an opportunity to learn more about a fourth way of doing business in our free competitive economy -- the cooperative.

This seminar is a major effort to train a cadre of leaders who can return to their cooperative and prepare others to more effectively operate cooperatives as tools of modern agriculture.

A seminar is defined as "a group of advanced students studying under a professor with each doing original research work and all exchanging results through reports and discussion." In this cooperative employee and collegiate seminar, you will have the privilege of studying under some of the outstanding cooperative leaders of this country. You will also have an opportunity to present and support your ideas and beliefs about cooperatives as a way of doing business in our free competitive economy.

As in any learning experience you will get out of this seminar only in proportion to what you put into it. You were mailed a text (Legal Phases of Farmer Cooperatives, Information 100 FCS, USDA) with suggested reading assignments to assist you in your study and research.

*Dr. Ingraham is professor of Agricultural Economics and Extension Economist, Business Management, The Ohio State University, Columbus, Ohio. Presented at the Employee and Collegiate Seminar, AIC's National Institute on Cooperative Education, Montana State University, Bozeman, Montana, July 31, 1978.

Of the thousands of cooperative employees and college students interested in cooperatives in the United States those of you in this room were selected to participate in this national seminar. That in itself is a great honor and I congratulate each of you.

As you participate in this seminar we hope you will develop or reestablish your own viewpoints about cooperatives as one of the four ways of doing business in our free competitive economy. You will have an opportunity this week to research, study, and discuss cooperative principles, concepts and practices as used in our competitive economy by farmer cooperatives. This seminar should help you develop your own cooperative philosophy.

Let me share with you some of my cooperative philosophy. To me, cooperatives are a competitive business operating in our free competitive economy. I believe that cooperatives must be operated with the same management and business principles as other types of businesses but within the unique principles that differentiate cooperatives from other types of businesses that operate in our free competitive economy. I see cooperatives as one of the many tools of modern agriculture that farmers have available to them and are using to assist them in efficiently producing and marketing food and fiber.

To me, the agricultural cooperative is comparable to the farm tractor, a tool of modern agriculture -- each of the tools, the tractor and the cooperative, requires skilled operators, sufficient energy to power it, good maintenance to be in top working condition, and of the size and versatility to effectively get the job done.

Many of our leading agricultural cooperatives started about 50 years ago in the days of the "Fordson" tractor. As the demands of agriculture outgrew the capabilities of the "Fordson", the demands farmers made on their cooperative also brought about change in the appearance, size and usefulness of their off-farm business -- their cooperative. Cooperatives, like tractors, have had to adjust and grow to remain effective tools for modern agriculture.

The old Fordson of the 1920's still has the same "basics" found in today's modern farm tractor. They each have wheels, an engine, a transmission, a steering wheel, and a seat; but the 1920 and 1978 tractor are quite different in their appearance, size, power, adaptability and use. Agricultural engineers have designed today's tractors to serve the needs of today's farmers and cooperative leaders have designed and built co-ops to meet today's needs. We still have the same "basics" in today's agricultural cooperatives that we had 50 years ago, but like the tractor it has been necessary for agricultural cooperatives to adjust and change practices, and develop more market power and grow in order to be an effective tool for modern farmers.

Agricultural cooperatives still maintain the basic principles of: democratic control, so that people rather than dollars control; limited interest on equity capital, so the savings of the cooperative will be returned to the user rather than the investor; and operation at cost, which means that farmer cooperatives price their services and/or products competitively and at the end of the business year if the cooperative has savings they will be refunded to those who patronize the cooperative, or if the

cooperative has not charged enough margin to cover the costs of operation, the users will be asked to pay their share of the loss so that each year their cooperative breaks even.

Dr. Scroggs' presentation on cooperative principles and concepts will give you a basis for understanding cooperatives as a unique form of business. Principles are fundamental laws and a concept is something conceived in the mind. The basic principles of cooperatives were not improvised, but like all principles they were observed or discovered. To qualify as a principle, a concept must have been in existence always. Principles are unchanging. It is men and organizations that change over time, not principles. Business organizations may undergo such marked changes, either in operations or structure, that they must of necessity, operate under a different set of principles to achieve their objective, thus they are no longer a cooperative.

Dr. James Baarda will present The Laws that applies to those firms that adhere to the cooperative principles.

Once the cooperative director, cooperative lawyer or cooperative financial officer understands which game he is playing (cooperative, corporation, sole proprietorship, partnership or investor corporation), he must know and understand the rules of the game as established by society.

For example, there are many games played with a round ball; baseball, softball, tennis, golf, basketball, handball, and volleyball. Each round ball game has its own rules and goals and the player must know the rules if he plays the game correctly. The same is true for managing an agricultural cooperative. Directors, management and employees of cooperatives must not only know what a cooperative is, but the rules under which it is to be operated (State Statutes, Articles of Incorporation, By-laws, Consent Decree, marketing or membership agreement). You must not use laws and regulations established for other types of businesses such as a partnership or investor oriented corporation to manage or operate a cooperative.

Dr. Baarda will bring you up to date with the current laws affecting cooperatives.

One of our most neglected academic areas is cooperative financing. You and I had our academic training in corporate finance where the return on investments was measured primarily in the interest earned by invested capital. The treatment of cooperatives under United States tax laws and principles and concepts unique to the cooperative form of business organization provide reason to revise the old familiar corporate finance when discussing cooperatives. We will need to approach Dr. Richard Fenwick's presentation, Cooperative Principles and Finance, with an open mind and recognize that by applying the basic principles learned in Dr. Scroggs' discussion, and of the unique legal requirements from Dr. Baarda's discussion. Cooperatives are a unique form of business organization that operates in our free competitive economy. Some like to think of cooperatives as a tool of modern agriculture or an extension of the farm fence line and that the returns on investment in a cooperative are measured not by the stock dividend but by value added to resources and products.

After receiving all this basic information about cooperatives you will have all night to discuss your beliefs and your philosophy with your fellow students in preparation for Tuesday mornings discussion.

Monday evening you will be dinner guests of the board of trustees of the American Institute of Cooperation. I encourage you to take advantage of this activity to meet as many of the AIC trustees and their guests as possible. This will, for most of you, be the largest gathering of cooperative experts and leaders you have ever attended.

Tuesday morning your part on this seminar really begins. You will recall that I defined a seminar as "a group of advanced students studying under a professor with each doing original research work and all exchanging results through reports and discussion". Each of you will be presented several current issues that cooperative leadership faces. You will be asked to state your position on these issues and to support your position. The faculty will then present their positions on these same issues.

Tuesday afternoon and evening, all day Wednesday and Thursday morning you are to participate in the program of the national Institute on Cooperative Education. You are to attend all the general sessions and to make your own selection of those sessions when several topics are discussed at the same hour. You should take notes at all sessions you attend so that you can participate in "wrap up" Thursday from 10:30 - 11:30 A.M. and 3:00 - 4:00 P.M. as you will be asked to report what you have heard in the sessions you attended and what, in your opinion, were the highlights.

Tuesday evening you will be a guest at the Farm Credit Reception for young farmer couples.

Wednesday noon you will attend the Education and Research Luncheon. Wednesday evening is the barbecue and scenic bus tour.

Thursday noon you will attend the Farm Credit luncheon and Thursday afternoon will be graduation for those of you who successfully complete the requirements of this seminar. At the graduation exercises you will receive your certificate and a picture will be taken to document your successful completion of this seminar. Mr. Paul Mullinix, Vice President of Southern States, will give your graduation address and Dr. Walter Jacoby, Vice President of AIC, will give the Charge to Graduates.

What's it all about really is up to you - the committee has planned an educational opportunity, staffed it with outstanding experts on cooperatives. What you get out of this seminar is up to you. What you do in the days and years ahead with what you learn in this seminar is up to you. The future of agricultural cooperatives is up to future leaders like you.

I encourage you to get involved - think, read, ask questions, discuss issues with others - make this seminar a highlight in your cooperative education pursuits - but don't stop study of cooperatives when you receive your certificate - make this only one of your many academic activities as you study about cooperatives as a unique way of doing business in our competitive economy.